

# NAFTA TRIUMPHANT

Assessing Two Decades of Gains  
in Trade, Growth, and Jobs

# 20

# YEARS



100 Years Standing Up for American Enterprise  
**U.S. CHAMBER OF COMMERCE**





## Executive Summary

- As the North American Free Trade Agreement (NAFTA) marks its 20th anniversary this year, it's critical to understand how the agreement has generated vast new opportunities for U.S. workers, farmers, consumers, and businesses.
- Since NAFTA entered into force in 1994, trade with Canada and Mexico has risen three-and-one-half fold to \$1.2 trillion, and the two countries buy about one-third of U.S. merchandise exports.
- Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these net jobs are supported by the increase in trade generated by NAFTA, according to a comprehensive economic study commissioned by the U.S. Chamber.
- The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in each of the 50 states—and more than 100,000 jobs in each of 17 states.
- NAFTA has been a boon to the competitiveness of U.S. manufacturers, which added more than 800,000 jobs in the four years after NAFTA entered into force. Canadians and Mexicans purchased \$428 billion of U.S. manufactured goods in 2011, generating \$36,000 in export revenue for every American factory worker.
- NAFTA has been a bonanza for U.S. farmers and ranchers, helping U.S. agricultural exports to Canada and Mexico triple and quintuple, respectively. One in every 10 acres on American farms is planted to feed hungry Canadians and Mexicans.
- With new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from \$27 billion in 1993 to \$82 billion in 2011.
- Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 122,000 of which sold their goods and services in Canada and Mexico in 2010.



# NAFTA TRIUMPHANT

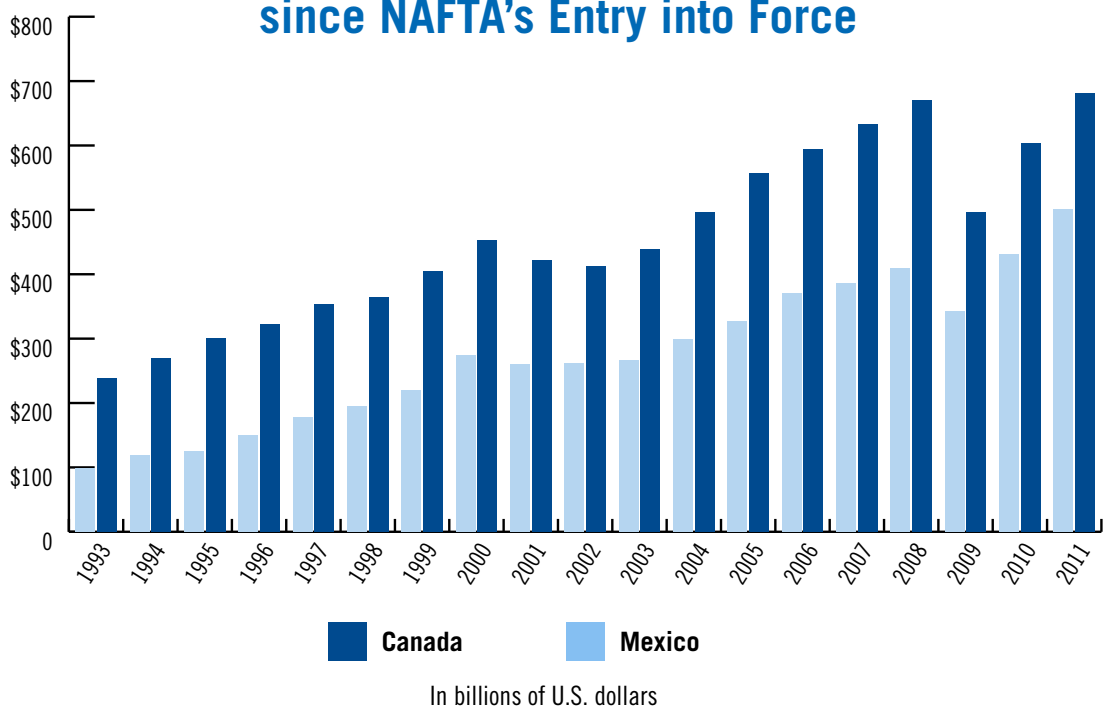
The North American Free Trade Agreement (NAFTA) marks its 20th anniversary this year. Signed on December 17, 1992, the agreement entered into force on January 1, 1994. Many of its provisions were implemented immediately or within a few years, but a final handful of trade barriers were lifted on January 1, 2008. As a result, North America has become a virtually tariff-free trade zone, and a host of non-tariff barriers to international commerce have been eliminated as well.

As this report will show, NAFTA has succeeded spectacularly in boosting cross-border trade, economic growth, and good jobs. Understanding this success is more important than ever as the agreement's many critics are sure to repeat their attacks on the occasion of NAFTA's anniversary. While the agreement's impact has at times been exaggerated, it has proven to be the most important and beneficial trade agreement in U.S. history with the exception of the Uruguay Round agreement that created the World Trade Organization (WTO) just one year after NAFTA entered into force.

The bottom line is that NAFTA has supported millions of good jobs, raised standards of living, and enhanced the competitiveness of North American industry in a rapidly changing global economy. However, the United States can't rest on its laurels. As we celebrate the triumph of NAFTA on its 20th anniversary, the U.S. Chamber of Commerce calls on elected officials and business leaders in Canada, Mexico, and the United States to build on this foundation in the years ahead.



## U.S. Trade with Canada and Mexico since NAFTA's Entry into Force





## SUCCESS STORIES

### Marlin Steel Wire Products LLC

NAFTA brings new sales and ease of business.

**Location:** Baltimore, Maryland • **Website:** [www.marlinwire.com](http://www.marlinwire.com)



**M**arlin Steel Wire Products LLC is a leading manufacturer of custom wire baskets, wire forms, and precision sheet metal fabrication assemblies. The company caters to global clients from the pharmaceutical, medical, industrial, aerospace, and automotive industries. With a full-time team of engineers and industry-leading technology, Marlin Steel is able to produce a world-class product.

Marlin Steel has been exporting for eight years, with sales now going to more than 20 countries. One-fourth of the company's 33 employees are employed as a direct result of its export success.

Canada and Mexico are vital markets for Marlin Steel. Each year, 10% of its sales go to those markets. In other words, Marlin Steel's employees enjoy two or three paychecks a year thanks to sales in Canada and Mexico.

Drew Greenblatt, president of Marlin Steel, emphasizes the importance of international trade and the impact it can have on small business. "NAFTA is a good thing for our country," he explains. "It added new markets that we want, and now it's a piece of cake to do business with Canada and Mexico."

Greenblatt says that the United States should continue to pursue more trade agreements vigorously. "From a business perspective, the foremost goal of U.S. trade policy should be to tear down barriers so that companies like mine can start exporting to new markets," he says. "Free trade agreements have helped us accomplish this in the past and will help our business grow in the future."



# NAFTA TRIUMPHANT

## The Rationale

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In assessing NAFTA, it's worthwhile reflecting on the basic premise on which it was negotiated.

While the United States receives substantial benefits from trade, the international playing field is at times unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but many other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other kinds of barriers against U.S. goods and services. To different degrees and varying by sector, this was the case with Canada before the Canada-U.S. Free Trade Agreement of 1989 and with Mexico before NAFTA.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. Even today, U.S. goods arriving in foreign markets face a mean tariff of 6.2%, according to the World Bank. That's nearly five times the U.S. level, but tariffs often soar into the double digits in many emerging markets, particularly for key U.S. manufactured goods and agricultural exports. These barriers are particularly burdensome for America's small and medium-sized companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat American manufacturers, service providers, farmers and ranchers the same as their foreign competitors.

This was the principal rationale for NAFTA — to generate economic growth, new exports, and good jobs, and do so in a way that is fundamentally fair. On this score, the agreement has been a dramatic success for American workers, farmers, ranchers, and companies — and for our Canadian and Mexican neighbors. Its tremendous commercial gains are the proof in the pudding.

## Trade

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The remarkable results of NAFTA are most obvious in the three-and-one-half fold rise in U.S. commerce with Canada and Mexico over the past 15 years. U.S. trade in goods and services with Canada and Mexico rose from \$337 billion in 1993 to \$1.182 trillion in 2011. Each day, the United States conducts over \$3.2 billion in trade with its North American neighbors.<sup>1</sup>

Canada and Mexico are the two largest markets in the world for U.S. exports, purchasing nearly one-third of U.S. merchandise exports (\$478 billion in 2011 or 32% of total goods exports). U.S. exports of goods and services to Canada and Mexico have tripled since NAFTA entered into force, from \$169 billion in 1993 to \$560 billion in 2011. U.S. imports from Canada and Mexico have also risen substantially under NAFTA, reaching \$622 billion in 2011.

These impressive results have accumulated over two decades, but NAFTA continues to deliver today. As Ed Gresser of ProgressiveEconomy, a non-profit that promotes pro-growth ideas such as open markets and a strong international trading system, wrote recently:



Between 2009 and 2011, with Americans looking to exports for growth and recovery, U.S. goods exports to the world grew by about \$370 billion. Canada and Mexico accounted for \$118 billion of this, or just under a third of the total. By comparison, exports to Asia — Japan, China, Korea, Taiwan, Hong Kong, Macao, Mongolia, the ten ASEAN members, and the eight South Asian countries — grew by about \$110 billion. The \$55 billion in extra sales to Mexico alone is identical to the \$55 billion in growth to Brazil, China, India and Russia combined. Canada, with its 30 million people, has accounted for a bit more than a sixth of all U.S. export growth and twice as much as all 14 post-2000 FTA partners combined.<sup>2</sup>

Imports from Canada and Mexico provide direct benefits to Americans as well. They mean lower prices for American families as they try to stretch their budgets — and for companies seeking raw materials and other inputs. In recent decades, lower tariffs have stimulated U.S. productivity through greater competition in the

Each day, the United States conducts more than \$3.2 billion in trade with its North American neighbors.

## U.S. Trade with Canada and Mexico Under NAFTA

U.S. EXPORTS	1993	2000	2011	% Change 1993-2011
To Canada - merchandise	100,444	178,941	280,891	179.6%
To Canada - services	17,016	24,613	56,000	229.1%
To Canada - total	117,460	203,554	336,891	186.8%
To Mexico - merchandise	41,581	111,349	197,544	375.1%
To Mexico - services	10,394	15,532	26,000	150.1%
To Mexico - total	51,975	126,881	223,544	330.1%
To both - merchandise	142,025	290,290	478,435	236.9%
To both - services	27,410	40,145	82,000	199.2%
Grand total exports	169,435	330,435	560,435	230.8%
U.S. IMPORTS				
From Canada - merchandise	111,216	230,838	316,510	184.6%
From Canada - services	9,106	17,875	28,000	207.5%
From Canada - total	120,323	248,713	344,510	186.3%
From Mexico - merchandise	39,918	135,926	263,106	559.1%
From Mexico - services	7,428	10,780	14,000	88.5%
From Mexico - total	47,345	146,706	277,106	485.3%
From both - merchandise	151,134	366,765	579,616	283.5%
From both - services	16,534	28,655	42,000	154.0%
Grand total imports	167,668	395,420	621,616	270.7%
TOTAL TRADE				
With both - merchandise	293,159	657,055	1,058,051	260.9%
With both - services	43,944	68,800	124,000	182.2%
With Canada	237,783	452,267	681,401	186.6%
With Mexico	99,320	273,587	500,649	404.1%
Grand total	337,103	725,855	1,182,051	250.6%

Source: U.S. Census Bureau, Foreign Trade Division, and U.S. Department of Commerce, Bureau of Economic Analysis.

Millions of U.S. dollars



# NAFTA TRIUMPHANT

## SUCCESS STORIES

### Western Forms, Inc.

NAFTA eliminated tariffs on its exports to Canada and Mexico.

**Location:** Kansas City, Missouri • **Website:** [www.westernforms.com](http://www.westernforms.com)



**W**estern Forms Inc. is one of the many U.S. companies that benefitted from NAFTA's significant tariff reductions for its exports to Canada and Mexico.

Founded in 1955, this family business is a global leader in concrete forming systems. Western Forms has 120 employees in its facility in Kansas City, Missouri, and exports to more than 40 countries. Its products have been used to build hundreds of thousands of concrete homes around the world.

The firm has been providing aluminum forming systems for a wide range of structures to Canada and Mexico for more than 30 years. In recent years, half its sales have gone to those markets.

Dan Ward, international operations manager for Western Forms, has been a strong advocate for the benefits of NAFTA. "There was a 10% tariff on our product before NAFTA, which was a barrier to entry in Canada and Mexico," he says. "Thanks to NAFTA, the tariff was phased out over five years." The benefits in new sales and new jobs are plain to see.

### Frontline Communications

"Exports are essential to our Global Strategy."

**Location:** Clearwater, Florida • **Website:** [www.frontlinecomm.com](http://www.frontlinecomm.com)



Frontline Communications, an Oshkosh Corporation Company, is the leading manufacturer of custom broadcast vehicles used for gathering and broadcasting the news.

With 151 employees based in its Clearwater, Florida manufacturing facility, the company has sold vehicles to 36 countries. Frontline has been doing business with Canada and Mexico for more than 20 years.

Bob King, International Sales Manager of Frontline Communications, said the company's motto is "Build it here, Sell it there... as a country, Exports are our salvation," he explains. "We need to look outside the United States to advance our business and maintain our position in this marketplace."

International markets continue to bring additional business to Frontline. This year, Frontline delivered five trucks to Global Network Stations in Canada and recently received another order from TVA-Montreal and Televisa Network in Mexico.

King is an advocate for additional trade agreements to be negotiated, especially for Brazil and Argentina, and applauds the new U.S.-Colombia trade agreement, which has brought more opportunities for new business.





marketplace and brought greater product choices to U.S. producers and consumers. According to the Peterson Institute for International Economics, this has brought “a gain in annual income of about \$10,000 per household.”<sup>3</sup>

Above all, two decades of economic integration under NAFTA have made it less and less relevant to look at North American trade through a mercantilist lens. As officials and business leaders in Canada, Mexico, and the United States have pointed out with growing frequency, North Americans increasingly “make things together,” employing “global value chains” that cross national borders.

This approach leads to efficiencies that have proven vital to the global competitiveness of North American industry. In the highly integrated auto sector, for example, it is common for cars assembled in the Great Lakes region to cross the U.S.-Canada border half a dozen times as they are assembled.

One study found that “one-quarter of U.S. imports from Canada consist of value added from the United States itself, and a huge 40% of U.S. final good imports from Mexico consist of its own [U.S.] value added.”<sup>4</sup> As Mexican Ambassador to the United States Arturo Sarukhan has pointed out, “for every dollar that Mexico earns from exports, 50 cents are spent on American goods.”<sup>5</sup>

Nonetheless, foes of NAFTA for years have emphasized the U.S. trade balance in their criticisms. Of note, the labor union-funded Economic Policy Institute (EPI) has issued regular reports that lead with the contention that NAFTA produced trade deficits that in turn destroyed U.S. jobs. For example, the latest of these reports, issued in May 2011, contends that 682,900 U.S. jobs have been “lost or displaced” due to the agreement and the resulting trade deficit.<sup>6</sup> EPI has attracted local media coverage by providing state-by-state breakdowns of these supposed job losses.

There are a number of problems with this line of argument, but one is a simple matter of fact: In its trade with Canada and Mexico, the United States in 2011 registered a \$14.5 billion trade surplus in manufactured goods,<sup>7</sup> a \$40 billion trade surplus in services,<sup>8</sup> and a \$2.6 billion trade surplus in agricultural products.<sup>9</sup>

The United States did register a \$61 billion combined trade deficit with Canada and Mexico in 2011. Driving this deficit were U.S. imports of crude oil from Canada and Mexico, which reached \$68 billion and \$40 billion, respectively, representing about one-third of total U.S. crude imports. While these statistics suggest the U.S. federal government should lift its widespread limits on oil and gas production on federal lands and the U.S. continental shelf, they say nothing about U.S. trade policy.

Few Americans are aware that the United States in 2011 registered trade surpluses with its NAFTA partners in manufactured goods (\$14.5 billion), services (\$40 billion), and agricultural products (\$2.6 billion).



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## Myths and Facts about NAFTA

**Myth: NAFTA sent U.S. factory jobs abroad with a “giant sucking sound.”**

**Fact:** It never happened. U.S. manufacturers added more than 800,000 jobs in the four years after NAFTA entered into force, according to the Bureau of Labor Statistics. This boom in factory jobs came after a period before NAFTA entered into force (1980-1993) when the United States shed nearly two million manufacturing jobs. The only “giant sucking sound” was that of surging U.S. exports to Canada and Mexico, which have tripled since NAFTA entered into force and topped \$560 billion in 2011.

**Myth: NAFTA added to the U.S. trade deficit.**

**Fact:** In 2011, the United States registered trade surpluses with its NAFTA partners in manufactured goods (\$14.5 billion), services (\$40 billion), and agricultural products (\$2.6 billion). The fact that U.S. petroleum imports from Canada and Mexico contribute to the overall U.S. trade deficit stems from U.S. energy policy and geology — not NAFTA.

**Myth: NAFTA has contributed to unemployment.**

**Fact:** The U.S. unemployment rate was markedly lower in the years immediately after NAFTA came into force (it averaged 5.1% in 1994-2007) than in the period immediately before (it averaged 7.1% in 1982-1993). Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly five million of these jobs are supported by the increase in trade generated by NAFTA, according to a comprehensive economic study commissioned by the U.S. Chamber.

## Jobs

To provide a more serious economic analysis of the relationship between trade agreements and job creation, the U.S. Chamber of Commerce commissioned a study in 2010 entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*.<sup>10</sup> The study examined U.S. free trade agreements (FTAs) implemented with a total of 14 countries, including Canada and Mexico.



The study employed the “gold standard” economic model used by economists worldwide: A computable general equilibrium model known as the Global Trade Analysis Project (GTAP). This model was developed in the early 1990s and is now maintained — and constantly enhanced — by a consortium of 31 U.S. and international organizations that include the U.S. International Trade Commission, the World Trade Organization, the World Bank, and half a dozen U.S. government agencies. The study was prepared by Dr. Joseph Francois, an individual member of the GTAP consortium, and Laura M. Baughman.

The results of this comprehensive study are impressive: trade with Canada and Mexico supports a net total of nearly 14 million U.S. jobs, and of this sum, nearly five million U.S. jobs are supported by the increase in trade generated by NAFTA. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to NAFTA, with the exception of the multilateral trade liberalization begun in 1947.

These benefits extend to every U.S. state. Forty-three U.S. states exported at least \$1 billion in goods to Mexico and Canada last year. The Chamber study shows that NAFTA generated an increase in these exports as well as imports that supports an additional 575,000 and 387,000 jobs in California and Texas, respectively. (See table on page 16–17 for details.)

NAFTA critics claiming the agreement has led to the net loss of U.S. jobs would do well to review the historical record. In its aforementioned study, EPI contends that 61% of the 415,000 U.S. jobs “lost or displaced” due to trade with Mexico were in manufacturing industries. However, Bureau of Labor Statistics data show that U.S. manufacturers added more than 800,000 jobs in the four years after NAFTA entered into force. This boom in factory jobs came after a period before NAFTA entered into force (1980-1993) when the United States shed nearly two million manufacturing jobs.

In fact, total U.S. private sector employment has risen from 91.8 million in December 1993 to 111.4 million in May 2012, according to the Bureau of Labor Statistics. This represents an increase of nearly 20 million jobs, or a 21% expansion in the number of Americans working.

In addition, the U.S. unemployment rate was markedly lower in the years immediately after NAFTA came into force, according to data from the Bureau of Labor Statistics. In the period 1994-2007, the U.S. unemployment rate averaged 5.1%. This compares with an average rate of 7.1% during a period of similar length just before NAFTA entered into force (1982-1993). While the 2007-2009 recession caused unemployment to rise sharply, it had nothing to do with NAFTA.

Did NAFTA lead to the creation of 20 million American jobs or reduce U.S. unemployment rates by two percentage points? No. However, NAFTA clearly did not generate the wave of job losses attributed to it by organized labor.

Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these net jobs are supported by the increase in trade generated by NAFTA.



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Finally, most economists believe NAFTA's most significant effect on jobs — particularly in a period of low unemployment such as the United States enjoyed in the years immediately after NAFTA entered into force — was to gradually alter the mix of jobs by creating more high-skill, high-wage jobs and fewer low skill, low-wage jobs. According to Commerce Department research, jobs tied to exports pay wages that are typically 18% higher than those that aren't, so the shift in the mix of U.S. jobs toward more export-oriented industries represents a net gain for working Americans.<sup>11</sup>

## Manufacturing

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U.S. manufacturers have been among the principal beneficiaries of NAFTA. Again, the broad historical context is important to this assessment.

Looking at value added in manufacturing — an approach that avoids the double counting that can otherwise result along manufacturing supply chains — U.S. manufacturing output rose by 73% between 1993 and 2011, according to the U.S. Department of Commerce. This represents the continuation of a long trend: U.S. manufacturing value added has grown eight-fold since 1947 in real terms.

In fact, contrary to popular misconception, the United States remains the world's largest manufacturer, accounting for 24% of world manufacturing value added in 2010 — a share greater than that of China (15%), India (2%), Brazil (1.7%), and Russia (1%) combined — according to the United Nations Industrial Development Organization (UNIDO),<sup>12</sup> the best source for internationally comparable data. The U.S. share of world manufacturing output, on a value-added basis, has remained fairly steady for about four decades.

American manufacturers were hammered by the painful 2007-2009 recession and a steep fall in demand. But throughout the preceding two decades, U.S. manufacturers set new records for output, revenues, profits, profit rates, and return on investment.

The same can't be said of factory jobs. According to the Bureau of Labor Statistics, U.S. manufacturers employed 16.8 million workers when NAFTA entered into force in January 1994, a figure that then rose over the next four years to top 17.6 million in 1998. Sharp job losses in U.S. manufacturing in the recessions of 2001-2002 and 2007-2009 brought the number of Americans employed in manufacturing to a new low of 11.4 million in early 2010. A largely export-driven recovery has since boosted manufacturing employment to just under 12 million.

Where have the lost manufacturing jobs gone? Not to Mexico or Canada, or China. Survey data consistently show that less than 1% of layoffs is attributable to offshoring. For example, the Bureau of Labor Statistics reported the separation of 262,848 workers from their jobs in the second quarter of 2012 in "mass layoffs" (i.e., layoffs of 50 or more workers). However, only 1,315 of these layoffs — one-half of one percent of the total — resulted from movement of work to an overseas location.



Rather, most of these jobs have been lost to a country called “productivity.” Technological change, automation, and widespread use of information technologies have allowed firms to boost output even as some have cut payrolls. Recent research “suggests that rapid technological advances are making sophisticated capital goods cheap substitutes for low-skilled workers.”<sup>13</sup>

This productivity revolution is a complex phenomenon. NAFTA critics are correct when they say that manufacturing employment hit a peak and then began a steady decline. However, the peak was in 1979, 15 years before NAFTA came into force. This phenomenon is also worldwide: A RAND study found that China shed 25 million manufacturing jobs in 1994-2004, ten times more than the United States lost in the same period.<sup>14</sup>

Today, as American manufacturers struggle with a weak recovery, exports to Canada and Mexico are more important than ever. Canadians and Mexicans purchased \$428 billion of U.S. manufactured goods in 2011 — a sum representing 34% of all the exports produced by the 12 million Americans employed in manufacturing.

In other words, the NAFTA market brings export revenue of \$36,000 for each and every American factory worker. Compare this to the annual mean wage of the typical U.S. manufacturing worker — \$46,600. How could manufacturers make their payroll without the revenues they earn by exporting to Canada and Mexico? The short answer is, they couldn't.<sup>15</sup>

Finally, it's no surprise that Canada and Mexico are the top two export destinations for U.S. small and medium-sized enterprises (SMEs) (and most SMEs that export are manufacturers). More than 122,000 U.S. SMEs exported to Canada and Mexico in 2010, and they represented more than 95% of U.S. exporters to the NAFTA market. Their 2009 exports topped \$78 billion, representing 29% of all SME exports worldwide.<sup>16</sup>

## Agriculture

For American farmers and ranchers, NAFTA has been a bonanza. In the 1993-2011 period, U.S. agricultural exports to Canada and Mexico rose by 258% and 408%, respectively, with sales to each country topping \$18 billion in 2011. The share of U.S. agricultural exports destined for Canada and Mexico grew from 21% in 1993 to 27% in 2011, according to the U.S. Department of Agriculture (USDA). USDA often makes the point that one in three acres on American farms is planted for export, so roughly one in ten acres is planted to feed hungry Canadians and Mexicans.

Canada today is the largest agricultural export market of the United States, and U.S. farms and ranches supply 58% of Canadian imports. Grains, fruit, vegetables, meat, and related products make up about 60% of U.S. agricultural exports to Canada.<sup>17</sup>

Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 116,000 of which exported their goods and services within the NAFTA market.



# NAFTA TRIUMPHANT

As in manufacturing, however, Canadian and U.S. farmers and ranchers work in an integrated and inter-dependent marketplace. According to USDA, “U.S.-Canada agricultural trade is marked by a substantial amount of intra-industry trade, particularly in value-added products.”<sup>18</sup> This includes co-production of processed foods such as pet foods, bakery products, breakfast cereal, and pastas. There is significant intra-industry trade in wheat products and beef, for example.

NAFTA did even more to open the Mexican market for U.S. farmers and ranchers. As a recent USDA report emphasized, “Mexico does not produce enough grains and oilseeds to meet internal demand, so the country’s food and livestock producers import sizable volumes of these commodities to make value-added products, primarily for the domestic market. In turn, U.S. fruit and vegetable imports from Mexico are closely tied to Mexico’s expertise in producing a wide range of produce, along with its favorable climate and a growing season that largely complements the U.S. growing season.”<sup>19</sup>

Prior to NAFTA, Mexico’s tariffs were highest for agricultural products. NAFTA allowed American farmers and ranchers to get past those barriers.

As a result, U.S. agricultural exports to Mexico have quintupled since NAFTA entered into force, and the United States today supplies three-quarters of Mexico’s agri-food imports. According to USDA, grains, oilseeds, meat, and related products make up about three-quarters of U.S. agricultural exports to Mexico.<sup>20</sup>

## Services

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NAFTA has brought significant benefits to U.S. service industries, which generate about 75% of U.S. economic output and 80% of U.S. private sector employment. The United States is by far the world’s largest exporter of services, which surpassed \$600 billion in 2011. The United States is home to large numbers of successful services firms in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecommunications.

Thanks to new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from \$27 billion in 1993 to \$82 billion in 2011. Services imports from Canada and Mexico also expanded, growing from \$17 billion to \$42 billion.

NAFTA eliminated trade barriers in most service sectors in Canada and Mexico, many of which were closed to U.S. participation prior to NAFTA and the Canada-U.S. Free Trade Agreement. NAFTA has also ushered in greater transparency in the regulations that set the rules of the road for services markets.



## The Future

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What's next for this extraordinary partnership? For the U.S. business community, North America is much more than a geographical descriptor. Canada, Mexico, and the United States today represent an expanded North American home market for U.S. workers, farmers, and companies. Without this broader, integrated market, U.S. enterprises would be significantly less competitive on the global stage.

Jobs and prosperity are on the line. Returning for a moment to the Chamber's study, it's remarkable that 14 million U.S. jobs depend on trade with Canada and Mexico: That's more than one in 10 U.S. private sector jobs.

Behind North America's impressive trade statistics numbers lies an integrated web of cross-border supply chains that enhances the competitiveness of all three countries in global markets and gives each country a fundamental stake in the others' success. This interdependence is reflected in the high percentage of U.S. content found in Canada's and Mexico's exports to the world. Canada, Mexico, and the United States together form a continental trading platform that allows U.S. firms and workers to compete on a more even footing with the rest of the world.

However, this successful economic model today faces new challenges. The U.S. borders with Canada and Mexico "thickened" considerably as new security measures were implemented in the wake of the September 11, 2001, attacks. While enhanced security is necessary, some measures have been constructed in ways that have raised the costs of doing business with our two closest neighbors and largest trading partners.

Recent joint initiatives with Canada and Mexico are a step in the right direction. These include the U.S.-Canada Regulatory Cooperation Council, the U.S.-Mexico High Level Regulatory Cooperation Council, the 21st Century Border Action Plan with Mexico, and the Beyond the Borders Action Plan with Canada. They represent the type of collaboration that is needed to maximize North American competitiveness in global markets. The United States needs more of this trade-plus cooperation with our neighbors.

An important opportunity to consolidate at least some of these efforts lies ahead in the negotiations for the Trans Pacific Partnership (TPP) trade agreement. The strategic value of the decision to invite Canada and Mexico to join these negotiations is self-evident. Given the existing level of integration among our markets, it would be counterproductive for the United States to forge new global precedents for the rules governing trade without the active participation of both Canada and Mexico. By jointly addressing third-party tariff treatment, rules of origin, regulatory cooperation, and other trade and investment issues, we can maximize the strength of the North American economy.

Exports to  
Canada and  
Mexico generate  
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# NAFTA TRIUMPHANT

## Conclusion

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NAFTA is more important than ever. The members of the U.S. Chamber of Commerce have seen its benefits firsthand as it has generated new opportunities for American workers, farmers, consumers, and businesses — and for our Canadian and Mexican neighbors. As the United States considers the path forward for our economic partnership with our North American neighbors, NAFTA should continue to play the foundational role it has for the past two decades.

## Endnotes

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- 1 Unless otherwise noted, all trade statistics are from the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, except for agricultural trade statistics, which are from the U.S. Department of Agriculture. Like U.S. federal agencies and most other private sector analysts, for goods trade this report refers to total U.S. exports and general imports. More narrowly-focused trade data — exports of domestic merchandise, further excluding U.S. goods returned, and imports for consumption, also excluding U.S. goods returned — show the same trends as those referred to in this report. Indeed, one of the main aims of this report is to show the co-production that has emerged among Canada, Mexico, and the United States and how it has enhanced the global competitiveness of North American industry and agriculture.
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One in every  
10 acres on  
American farms  
is planted to  
feed hungry  
Canadians and  
Mexicans.



# NAFTA TRIUMPHANT

## U.S. Jobs Supported by Trade with Canada and Mexico by State

	U.S. Jobs Supported by Trade With Canada	U.S. Jobs Supported by Trade With Canada Attributable to NAFTA	U.S. Jobs Supported by Trade With Mexico	U.S. Jobs Supported by Trade With Mexico Attributable to NAFTA	U.S. Jobs Supported by Trade With Canada and Mexico	U.S. Jobs Supported by Trade With Canada and Mexico Attributable to NAFTA
<b>U.S. TOTAL</b>	<b>8,027,826</b>	<b>3,271,862</b>	<b>5,955,431</b>	<b>1,703,522</b>	<b>13,983,258</b>	<b>4,975,384</b>
Alabama	115,355	47,600	86,212	24,739	201,566	72,339
Alaska	20,385	8,182	14,835	4,272	35,220	12,453
Arizona	149,996	61,004	111,216	31,676	261,212	92,681
Arkansas	68,845	28,258	51,379	14,958	120,224	43,215
California	931,890	378,371	692,240	196,819	1,624,131	575,190
Colorado	143,807	58,349	105,776	30,166	249,583	88,514
Connecticut	100,146	40,799	74,481	21,338	174,627	62,137
Delaware	24,705	10,004	18,312	5,210	43,016	15,213
DC	39,066	15,637	28,201	8,003	67,268	23,640
Florida	465,072	188,709	342,054	97,045	807,126	285,754
Georgia	249,155	102,009	186,208	53,388	435,363	155,397
Hawaii	40,465	16,242	29,442	8,388	69,906	24,630
Idaho	39,893	16,298	29,767	8,574	69,660	24,872
Illinois	339,905	138,965	252,931	72,411	592,836	211,377
Indiana	162,286	66,922	120,763	34,342	283,049	101,263
Iowa	87,123	35,638	64,847	18,988	151,970	54,626
Kansas	80,405	32,589	59,341	17,208	139,746	49,797
Kentucky	105,722	43,389	78,588	22,493	184,309	65,881
Louisiana	112,666	45,756	83,206	23,913	195,872	69,668
Maine	37,230	15,292	27,706	7,917	64,935	23,208
Maryland	156,426	63,464	115,499	32,861	271,925	96,325
Massachusetts	190,915	77,450	142,557	40,593	333,472	118,043
Michigan	237,082	97,380	175,249	49,605	412,331	146,985
Minnesota	157,228	64,242	117,395	33,686	274,623	97,928
Mississippi	67,692	27,554	50,023	14,469	117,715	42,024



	U.S. Jobs Supported by Trade With Canada	U.S. Jobs Supported by Trade With Canada Attributable to NAFTA	U.S. Jobs Supported by Trade With Mexico	U.S. Jobs Supported by Trade With Mexico Attributable to NAFTA	U.S. Jobs Supported by Trade With Canada and Mexico	U.S. Jobs Supported by Trade With Canada and Mexico Attributable to NAFTA
Missouri	162,045	66,106	119,793	34,282	281,838	100,389
Montana	28,156	11,423	20,594	5,943	48,750	17,366
Nebraska	54,967	22,273	40,565	11,717	95,532	33,990
Nevada	73,524	29,578	53,593	15,156	127,117	44,733
New Hampshire	37,706	15,428	28,531	8,187	66,237	23,615
New Jersey	234,094	95,157	174,257	49,376	408,351	144,533
New Mexico	49,374	19,907	36,200	10,390	85,574	30,297
New York	517,028	209,509	381,238	108,660	898,267	318,169
North Carolina	244,555	99,765	183,377	52,658	427,932	152,422
North Dakota	21,404	8,665	15,646	4,578	37,051	13,243
Ohio	301,072	123,793	224,486	64,175	525,558	187,968
Oklahoma	93,499	37,993	68,498	19,975	161,996	57,968
Oregon	100,893	41,592	75,558	21,684	176,450	63,277
Pennsylvania	330,610	135,469	246,409	70,740	577,019	206,209
Rhode Island	27,648	11,157	20,399	5,838	48,046	16,995
South Carolina	114,088	46,619	85,763	24,779	199,850	71,398
South Dakota	24,604	9,944	17,992	5,237	42,596	15,181
Tennessee	163,780	66,933	122,085	35,084	285,865	102,017
Texas	624,986	254,468	463,132	132,599	1,088,119	387,067
Utah	74,467	30,239	54,881	15,686	129,348	45,925
Vermont	19,306	7,836	14,372	4,116	33,679	11,952
Virginia	218,425	88,962	161,374	46,115	379,799	135,077
Washington	173,978	70,818	128,277	36,838	302,255	107,655
West Virginia	40,887	16,650	30,254	8,769	71,141	25,419
Wisconsin	156,452	64,711	117,665	34,327	274,117	99,038
Wyoming	16,821	6,763	12,266	3,557	29,087	10,320

Source: U.S. Chamber of Commerce, "Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners," May 14, 2010. Data for 2008.



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